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WEEKLY ROUNDUP OF WORLD PRODUCTION AND TRADE / '85

WR 6-81

WASHINGTON, Feb. 11--The Foreign Agricultural Service of the U.S. Department of Agriculture today reported the following recent developments in world agriculture and trade:

GRAIN AND FEED

In the USSR, planners have set the target for 1981 grain production at 236 million tons, about 47 million tons larger than the 1980 crop and 15 percent above the 1976-80 average. The plan for 1980 grain production was 235 million tons, but Soviet officials recently announced that last year's output only totaled 189.2 million tons, or 19 percent below plan. For 1981, the planned grain area is set at 127 to 128 million hectares, against the 1976-79 average of about 128 million hectares.

The EUROPEAN COMMUNITY's (EC) wheat exports to third countries in 1980/81 are expected to total at least 12.5 million tons--some 30 percent above the previous year's record. This sizable exportable surplus results from the 1980 bumper wheat harvest of over 51 million tons, some 5 million tons above the large 1979 crop. With consumption expanding only moderately and stocks at the start of 1980/81 already fairly high, the EC was confronted with and continues to face a challenging disposal problem. While large quantities of wheat moved into intervention stocks after internal prices fell in response to the oversupply conditions, sizable amounts also were moved into export channels in an effort to remove the surplus grain from the internal market. Export authorizations were brisk during the first half of the 1980/81 season, and, although costly (the current wheat export subsidy is running at about 52 European Currency Units (ECU) per ton or the equivalent of US \$65), large exports are likely to continue throughout the rest of the season.

France, which produced just under 50 percent of the 1980 EC wheat crop, has a surplus of 2 to 3 million tons which is overhanging the market. Pressures from producers and cooperatives to dispose of this surplus have been consistently strong, but have increased recently with the approach of France's presidential elections, scheduled for this spring. Most of the French proposals involve expansion of exports, but mention also has been made of implementing a denaturing program. Denaturation involves the use of a dye to physically alter wheat, rendering it unfit for human consumption, yet adequate for feed use. Such a program would likely increase the quantity of wheat feed at the expense of barley and result in no significant change in the overall EC

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MARY FRANCES CHUGG, Editor. Tel: (202) 447-3370, 447-2381. Weather and Crop Summary prepared by the Joint Agricultural Weather Facility of USDA and NOAA. Tel: (202) 447-8760, 447-7917. Additional copies may be obtained from the FAS Information Services Staff, Room 5918-South, Washington, D.C. 20250. Tel: 447-7937.

grain disposal problem. Since denaturing is not being actively considered and intervention stocks remain high, the outlook is for the EC to continue exporting large amounts of wheat throughout the remainder of the 1980/81 season.

CANADA's Wheat Board announced on Jan. 28 that it was raising the initial payments for 1980/81 grain deliveries because of higher world prices for wheat and barley. The increase places initial prices at record levels which should encourage larger producer deliveries as well as expanded seeded area this spring. The sharp increase in barley prices last summer explains the small January increase relative to wheat prices. The price changes are:

	<u>Previous</u>	<u>New</u>
#1 C.W. Red Spring	156.16	196.58
#1 C.W. Amber Durum	183.72	238.83
#2 C.W. 6 Row Malting Barley	133.20	167.64
#1 Feed Barley	124.01	130.90

Initial prices for the 1981/82 crop will be announced this summer prior to Aug. 1, according to Canadian officials. In previous years the initial prices were announced in March to provide signals to producers before spring planting.

AUSTRALIA's Wheat Board (AWB) recently concluded new wheat sale agreements with Egypt and Japan, traditional customers for Australian wheat. The agreement with Japan calls for 900,000 tons of wheat in 1981 (280,000 tons of prime hard wheat and 600,000 tons of Australian standard). This is lower than the 950,000 tons agreed to last year because of various factors, including an anticipated increase in Japan's domestic wheat production. Japan last year bought 910,000 tons of Australian wheat, achieving 96 percent of the agreed sales target.

Australia also has signed a new long-term agreement with Egypt, one of Australia's main customers since the 1970's. The new agreement calls for 1 million tons of wheat for the next five years and will go into effect at the end of 1981 when the current three-year contract with Egypt expires. In the 1979/80 shipping year which ended in December, Egypt purchased 1.77 million tons of wheat, compared with 1.51 million in the previous year. In 1980, Australia sold Egypt 250,000 tons of wheat in addition to the 1 million tons called for under the agreement. The new sale was a direct result of the better than expected receipts from Australia's drought-affected 1980/81 harvest.

MOROCCO's winter grain crop is likely to be in very serious trouble unless the country receives good rains soon. The southern grain crop reportedly has already been seriously damaged by drought. The crop in more northern areas of Fes-Meknes-Gharb Valley, which accounts for about 60 percent of total production, also has been seriously hurt by a combination of drought and frost. Morocco's latest rains occurred the week of Jan. 11 and were concentrated in the Fes-Meknes-Gharb Valley.

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Market prices are quickly beginning to reflect crisis situation, according to reports by the U.S. agricultural attache. The situation also is beginning to be felt in the livestock sector. Feed, mostly barley, is scarce and subject to active price speculation. Animal slaughter is rising quickly, especially in rural areas.

Despite TURKEY's record 1980 wheat crop and relatively stable domestic demand, wheat exports this season (July 1980 through June 1981) are forecast at the moderate level of 700,000 tons. As recently as 1978/79, wheat exports topped 2 million tons.

This falloff in wheat trade can be largely attributed to policies and budgetary problems of the government grain purchasing and marketing agency--Toprak Mahsulleri Ofisi (TMO). Early in the season, in an attempt to buy large quantities of wheat for export, TMO announced new support prices (about \$117 per ton or \$3.19 per bushel) that were slightly higher than local open market prices. However, budgetary constraints at harvest time (late last summer and early fall) forced TMO to scale back purchases to about 1.7 million tons out of an original goal of 2.5 to 3 million tons. During the 1978/79 marketing year--when exports reached a record 2 million tons--TMO purchases approximated 3 million tons. TMO's annual commitment to domestic millers is about 1.3 million tons. Mills must buy any additional supplies on the open market.

Since many farmers this season were unable to wait for the delayed government payments, private traders were able to purchase more wheat than usual. Last year, although the private sector was given authority to export wheat for the first time, no shipments were made since local sales were found to be more profitable. Unlike TMO, the private trade does not own any export loading facilities and, furthermore, was required to make a sizable deposit into a Price Support and Stabilization Fund with each export sale. Earlier this year, the government revoked its previous decision, making TMO once again the sole export authority. TMO's currently reduced level of uncommitted supplies, however, is expected to constrain exports despite strong demand from neighboring countries.

ROMANIA's 1980 grain crop now put at a record 20.2 million tons by the government, is nearly 2 million tons above the 18.3 million tons last estimated by USDA. According to Romanian officials' plan fulfillment report, wheat and rye production combined totaled 6.5 million tons, while corn and sorghum totaled 11.2 million tons.

The unexpectedly large 1980 grain crop is not likely to affect Romania's grain trade outlook since the foreign matter content of the 1980 crop was high. Thus, the tonnage of usable grain in the 1980 harvest is likely to have been closer to 18 million tons than to the 20.2 million tons reported. Estimates of Romania's grain imports during July 1980 - June 1981 remain at approximately 2.4 million tons, with the great bulk of that originating in the United States.

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HORTICULTURAL AND TROPICAL PRODUCTS

In ITALY, gale force winds during the third week of January and freezing temperatures during the last week caused production losses of up to 10 percent of the unharvested citrus crop, and seriously damaged much of the remaining fruit.

The quality of lemons due to be harvested during the next few months is expected to be well below normal, with higher than usual percentages suitable mainly for processing and for export. Actual losses to the lemon crop are estimated at about 60,000 tons, mostly summer lemons.

Orange and tangerine losses are estimated at about 140,000 tons, but most of these fruits are consumed domestically, so the effect on exports will be minimal.

In the UNITED KINGDOM, the impending closing of one of the leading sugar firms appears to cast doubt on Britain's ability to honor treaty obligations with Commonwealth sugar producers. The firm, Tate and Lyle, announced on Jan. 22 the planned closure of its 300,000-ton Liverpool sugar refinery. This would reduce the company's U.K. refining capacity to 1.05 million tons annually.

As one of its conditions for joining the EC, the United Kingdom insisted that developing Commonwealth countries dependent on sugar exports to the U.K. market should be protected. The result was the Lome Convention agreement between the EC and African, Caribbean and Pacific (ACP) developing countries which gave cane sugar suppliers guaranteed sales of 1.3 million tons a year to the EC for an indefinite period.

Though British and Tate and Lyle officials have voiced assurances that any surplus cane sugar could be processed in other EC countries, ACP country officials remain concerned since the bulk of their sugar has been going to the United Kingdom. Any reduction in U.K. refining capacity, they feel, would weaken their economies.

Both GREECE's orange and lemon crops were damaged by winter weather during January. Freeze-damage to the orange crop is estimated at 40,000 to 50,000 tons, excluding fruit salvageable for processing. Previously the 1980/81 orange crop had been estimated at 596,000 tons, of which about 40 percent was to be exported. Principal export markets are in Eastern Europe and the Soviet Union. A snowstorm caused minor losses of about 5,000 tons to the lemon crop.

The USSR's 1980 potato harvest has now been officially pegged at 66.9 million tons, down 26 percent from the 91 million tons produced in 1979. Adverse weather during the late summer greatly reduced both the quality and quantity of the crop.

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CANADA's National Farm Products Marketing Council has recommended the formation of an Eastern Canada Potato Marketing Agency which would have the task of establishing an orderly marketing system for growers in Prince Edward Island, New Brunswick, Nova Scotia, Quebec and Ontario. It has been recommended that the new agency be given the authority to negotiate prices for table, seed and processing potatoes; however, it was not recommended that the agency be allowed to set production quotas.

Implementation requires official endorsement by the Canadian Agriculture Minister, which is expected. However, it is doubtful that the agency could be fully operable in 1981.

The EUROPEAN COMMUNITY's (EC) council recently issued several regulations implementing the provisions of Greek accession for fruits, vegetables and wines. Briefly, the more important aspects are as follows:

1. Shifts processed olives from the basic processed fruit and vegetable Common Agricultural Policy (CAP) to the basic fats and oils CAP.

2. Extends to Greece processing subsidies on lemons which have been limited to Italy. The EC processing subsidy now will be limited to lemons bought at the minimum purchase price and used for the juice production and sold anywhere except Italy.

3. Establishes basic and buying-in prices applicable to Greece as a percentage of prices in the EC-9 for the following commodities, with appropriate percentage in parentheses: lemons (90.7), pears (139.4), table grapes (114), mandarins (81.1), oranges (67.8), peaches (66.3), and tomatoes (60.0).

4. Fixes basic and buying-in prices for Greek lemons, pears, mandarins and oranges for the remainder of 1980/81 marketing year.

5. Fixes guide prices for wine in Greece.

6. Fixes EC offer prices applicable with regard to Greece for apples, pears, lemons, mandarins and other small citrus and sweet oranges. If daily Greek offer prices for these fruits fall below the fixed offer prices on EC markets, a compensatory amount equal to the difference will be charged.

DAIRY, LIVESTOCK AND POULTRY

In POLAND, serious problems have developed in the dairy, livestock and poultry sectors. As a result, the Poles have indicated that they are interested in purchasing butter, cheese and skim and whole milk powder as soon as possible since dairy products seem to be in especially short supply. The cold wet summer of 1980 reduced hay production and likely caused some culling of the dairy herd last fall. Production of several dairy products is possibly being curtailed so that fluid milk can be used for direct consumption. In addition, Poland has inquired about the availability of U.S. turkey meat.

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COTTON

CHINA continues to be the largest market for U.S. cotton, accounting for 45 percent of U.S. net sales during the week ending Jan. 29. China's purchases of 150,000 running bales that week brought total commitments (shipped and unshipped) for 1980/81 to 1.5 million bales. A record 2.2 million running bales were exported to China in 1979/80. U.S. exports to that market during August-January 1980/81 were 857,000 running bales, 21 percent above a year earlier. However, U.S. exports to China for the full season are expected to total below the 1979/80 level.

INTERNATIONAL WEATHER AND CROP SUMMARY, Feb. 2 - 8

EUROPE--A weak front pushed through the region at mid-week, spreading moderate precipitation in a broad band from the Low Countries southeastward to Greece. Most other countries received light moisture, but a notable dry pocket persisted in northern Italy. Nearly all agricultural areas in Spain failed to receive precipitation, with conditions for winter grains gradually becoming more serious. Snowcover in the eastern countries eroded as temperatures surged above normal. Temperatures in many western areas reached levels warm enough for renewed winter grain growth, with readings near normal in the south and above normal in the north.

WESTERN USSR--Temperatures rose far above normal over the entire region, causing substantial snow melt over most of the winter grain belt. Precipitation fell mostly as rain, with amounts reaching above normal in the west, but staying below normal in the east. Extensive areas in the northeastern part of the belt, where temperatures are often the coldest, were without any snowcover by the week's end. Thus, winter grains are susceptible to winterkill should temperatures dip substantially below normal before new snow arrives. Such cold temperatures are not uncommon in February. Spring grain areas to the northeast received additional snowfall, but the wet condition of the new snow added little to accumulated snow depths.

EASTERN ASIA--Widespread moderate precipitation south of the Yangtze River improved moisture conditions. Southern coastal areas missed most of the precipitation. Winter grain areas in both China and South Korea received virtually no precipitation, with slightly below-normal temperatures keeping the crops dormant.

SOUTH ASIA--Above-normal precipitation continued in northern Pakistan and northwestern India, benefiting heading of winter grains. Amounts became scattered in Uttar Pradesh and eastward, but soil moisture should remain adequate for winter grains, which should be in the grain-filling stage of development. Conditions were drier to the south in Madhya Pradesh, where much of the crop is unirrigated, but even there, winter season precipitation totals were not much below normal, with the crop now turning color.

NORTHWESTERN AFRICA--No precipitation fell in Morocco's winter grain areas during the week. Soil moisture should remain marginally adequate in the north, but conditions continued to deteriorate in the south, and yield prospects are not bright. Western Algeria received no rainfall and central Algeria only light rains, but winter grains should remain in good condition. Eastern Algeria and northern Tunisia stayed beneficially moist as moderate rainfall occurred.

SOUTH AFRICA--Weekly rainfall generally ranged from 10 to 50 mm throughout the Maize Triangle with up to 100 mm concentrated in the southern Orange Free State. Growing conditions for corn have been favorable since the delayed start of the wet season. The late onset caused delays in planting in some areas but beneficial rains since that time have improved crop prospects considerably. The corn crop is either tasseling or developing kernels, with soil moisture in ample supply and temperatures generally reaching the low 30's Celsius during the day and falling to the mid-teens at night.

SOUTH AMERICA--Brazil's soybean crop continues to make good progress with early-planted soybeans nearly mature in the north, while the main crop in the south is beginning to set pods. Weekly rainfall was minimal in northern corn areas of Minas Gerais, and portions of Sao Paulo; but, farther south, 50 to 90 mm of precipitation fell during the week in major crop areas of Parana and Rio Grande do Sul. In Argentina, frequent showers produced weekly rainfall of 25 to 100 mm in principal crop areas. The above-average rainfall was accompanied by seasonal temperatures. Favorable weather conditions have improved prospects for the corn crop which is advancing from the reproductive to the grain-filling stage.

MEXICO--Seasonal dry weather blanketed the country, except along the eastern coast and northwestern Baja California where light rains fell. Near normal temperatures of 18 to 20 degrees Celsius and abundant sunshine favored vegetable development and harvest along the west coast. Cooler weather returned to the northeastern citrus belt. Temperatures of 2 to 4 degrees Celsius below normal should be keeping trees relatively dormant and buds not breaking, except in southernmost orchards. Sunny, cool conditions over most of the Southern Plateau allowed the corn harvest to continue unimpeded.

Rotterdam Prices and E.C. Import Levies:

Asking prices in U.S. dollars for imported grain, soybeans and meal, c.i.f., Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Feb. 10, 1981		Change from previous week	A year ago
	Dollars per metric ton	Dollars per bu.	Cents per bu.	Dollars per metric ton
Wheat:				
Canadian No. 1 CWRS-12.5%...	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>
U.S. No. 2 DNS/NS: 14%.....	216.00 <u>7/</u>	5.88 <u>7/</u>	- 4 <u>7/</u>	209.00
U.S. No. 2 DHW/HW:13.5%.....	223.00	6.07	-11	202.00
U.S. No. 2 S.R.W.....	214.00	5.82	-11	200.00
U.S. No. 3 H.A.D.....	260.00 <u>7/</u>	7.08 <u>7/</u>	- 5 <u>7/</u>	232.00 <u>7/</u>
Canadian No. 1 A: Durum....	<u>1/</u>	<u>1/</u>	<u>1/</u>	274.00 <u>7/</u>
Feedgrains:				
U.S. No. 3 Yellow Corn.....	164.25	4.17	-12	134.00
U.S. No. 2 Sorghum <u>2/</u>	183.00	4.65	- 2	149.00
Feed Barley <u>3/</u>	--	--	--	157.50
U.S. No. 2 Barley <u>3/</u>	201.00	4.38	-19	--
Soybeans:				
U.S. No. 2 Yellow.....	309.25	8.42	- 9	276.70
Argentine <u>4/</u>	310.00 <u>7/</u>	8.44 <u>7/</u>	-21 <u>7/</u>	285.00 <u>7/</u>
U.S. 44% Soybean Meal (M.T.)	268.25	--	-6.25 <u>5/</u>	242.00
EC Import Levies				
Wheat <u>6/</u>	63.55	1.73	-55	115.05
Barley.....	32.05	0.70	- 4	103.40
Corn.....	70.55	1.79	-10	140.00
Sorghum.....	49.15	1.25	-16	122.70

1/ Not available.

2/ Optional delivery: U.S. or Argentine Granifero Sorghum.

3/ Pacific N.W. origin

4/ Optional delivery: Brazil Yellow

5/ Dollars per metric ton.

6/ Durum has a special levy.

7/ April - May delivery.

NOTE: Basis March delivery.

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